



October 12, 2006

The Honorable Jon W. Dudas
Under Secretary of Commerce for Intellectual Property
and Director of the United States Patent and Trademark Office
600 Dulany Street
Madison East, Room 7A45
Alexandria, VA 22313-1450
Attention: USPTO Strategic Plan Coordinator

Submitted by email to: StrategicPlanning1@uspto.gov

**Re: Comments on USPTO's Draft Strategic Plan for FY 2007-2012,
71 Fed. Reg. 50048 (August 24, 2006)**

Dear Under Secretary Dudas:

I am writing on behalf of Intellectual Property Owners Association (IPO) to comment on the USPTO's Draft Strategic Plan for fiscal years 2007 to 2012 as invited by the Federal Register notice of August 24th, 2006. IPO welcomes the opportunity to comment on the strategic direction of the Office.

IPO is a national, U.S.-based trade association of more than 200 companies and a total of 9,000 individuals who are involved in the association either through their companies or as IPO inventor, author, executive, and law firm or attorney members. Our corporate members file approximately 30 percent of the patent applications filed at the USPTO by U.S. nationals. For more than 30 years, IPO has been an active participant in discussions regarding the strategic direction of the USPTO. As owners and users of IP systems, we strive to ensure that IP laws and practices provide appropriate incentives to support the development of the next technological advances. Our members believe that a well functioning USPTO is vital to ensuring a vibrant US economy.

We support the efforts of the USPTO to improve patent and trademark operations. In 2002, IPO and others in the user community agreed that the USPTO was facing a crisis situation and, after extensive discussions, endorsed the Office's 21st Century Strategic Plan. In the intervening years, additional funding and hiring have allowed the USPTO to begin addressing many of the concerns we raised at that time, but the agency now faces additional challenges.

IPO supports the four guiding principles detailed in the draft 2007-12 plan: Quality, Certainty, Cost-Effectiveness, and Accessibility. Of the four, the Office places a primary emphasis on Quality, which, according to the plan, "means timely, consistent, accurate examination" achieved by "streamlined procedures, good inputs, and great people." While we have strong reservations about aspects of this plan, we support this

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emphasis. We believe, however, that the plan lacks the details on a few key areas and proposes certain initiatives that may undermine our current patent system in the name of short term operational gains. Our comments follow on each of the goals set out in the plan.

Goal 1: Optimize Patent Quality and Timeliness

We generally support objectives 1, 3, and 4 in the plan under this goal, but have significant concerns about objective 2 related to developing a suite of patent products. The plan states that realizing a quality examination process “requires a shared understanding” between applicants and the Office of what defines quality and what level of resources should be devoted to the process. We agree. The plan provides few details, however, on how such a shared understanding will be developed.

Objective 1: Quality Examination

IPO supports the USPTO’s objective to focus on providing high quality traditional examination of patent applications. The USPTO’s current examiner hiring goals and efforts to enhance training are critically important for realizing this objective while managing the increasing workload.

Increasing stakeholder input/feedback -- IPO believes that efforts to increase external stakeholder input to quality and performance metrics are important. We believe the USPTO should strive for transparency in its quality assessment and should work with its external stakeholders to evaluate whether quality measures are being met. To meet this goal, the Office should provide the public with additional information such as the Office’s Patent Pendency & Production Model used to forecast patent pendency, first actions and disposals and the USPTO’s patent filing projection model. Making the USPTO’s assessment of quality examination more transparent and involving the user community would significantly aide the Office in its evaluation by identifying tangible improvements and setting realistic goals. The use of the Peer or Community Patent Review process could provide an important avenue to increase the quality of prior art available to the Examiners and should also be explored.

Necessity of an objective examination -- The Office has stressed the importance of quality “input” to the examination process. Recent rule packages have proposed requiring applicants to provide additional information on references and to conduct searches to provide the Office with relevant references. Such input is important to the extent it can be provided without undue burdens and litigation risks for applicants and the public. Input from the applicant, however, cannot replace an objective examination undertaken by the Examiner, who conducts an independent search of the prior art and exercises independent judgment in applying legal requirements.

Reducing Pendency -- IPO has long supported an 18-month goal for patent pendency. While we recognize that the USPTO may not achieve 18-month pendency in the short term, we believe it remains an important goal that the Office should maintain along with targets for 2008 and 2012 as suggested in the Draft plan.

Measuring quality and adhering to the MPEP -- Examination process quality is currently measured by the Office in terms of “application error rate.” The USPTO should engage the patent community to determine if this or some outcome measure is a more appropriate indication of quality. One consideration of “quality” is the percentage of Examiner reversals by the Board of Patent Appeals and Interferences (BPAI). Data suggest that only about 20 percent of appeals are affirmed in full. Feedback from the Board may be used to evaluate examination

quality. A high rate of Examiner reversal indicates either an Examiner quality and skills problem or a management issue in enforcing rules and procedures.

Various quality measures might be developed to detect internal weaknesses in the Office's examination practice. When IPO members speak of quality patents, however, they often mean simply patents that will be upheld in court if challenged. More than 50 percent of IPO members in a 2005 survey responded that their perception was that the quality of patents was less than satisfactory or poor. To the extent that this perception is accurate, the Office probably should be allowing a smaller percentage of patent applications to issue as patents. Therefore, a measure of patent quality that might be tracked from year to year could relate to the percentage of applications allowed. It would also be useful to have a common understanding of the meaning of "certainty," which is one of the four guiding principles of the draft plan. When IPO members speak of certainty in the patent context, they generally are speaking of legal certainty – that is, certainty that a product or process is covered by enforceable patent protection, or alternatively, certainty that a product or process is not and will not in the future be covered by a patent.

The Office must also enforce its internal rules and procedures. This may provide an additional quality metric for the Office where the quality of examination could be evaluated by the degree to which examiners have complied with the Manual of Patent Examining Procedure (MPEP).

Examiner time and production goals -- Examiner productivity goals should be revisited and updated. We addressed this important subject in our comments earlier this year on proposed continuation and claim limitation rules. It requires more time to examine original applications with more claims and may require less time to examine claims in continuation applications. If productivity goals do not adequately take into account the number of claims in a typical application in an examiner's docket and the number of continuation applications, the goals should be revised to do so. Productivity goals also should be revised to enable examiners to receive bonuses for outstanding quality as well as outstanding production. Production goals should be neutral with respect to allowance and final rejection. It should not be easier to allow applications in order to meet production goals. It should be equally easy to meet production goals with final rejections.

Improving employee retention -- Critical to the USPTO's success in addressing its four guiding principles is retaining employees and enhancing the work environment to create a flexible and collaborative examination corps able to apply consistent legal standards that convey property rights to applicants. The draft plan contains little information on how the USPTO plans to increase retention of USPTO employees, beyond recruitment and retention bonuses. While these measures are valuable tools, additional proposals on employee growth and development should be considered. Such programs can complement other training and increase the desirability of working at the Office. The USPTO also should seek an exception to Title 5 to allow more flexibility in its personnel practices, reduce its labor relations problems and improve examiner compensation and benefits.

Objective 2: Develop a Suite of Patent Products

The plan suggests that a suite of patent "products" could be offered to applicants to improve the quality and timeliness of the examination process. Several of the proposals detailed in the plan have previously been considered and have been rejected. We do not believe that offering a suite of patent "products" would improve quality and timeliness of patent examination and, to the contrary, this proposal may devalue patents and create further uncertainty in the patent system. Such proposals make trade-offs between the strategic principles and add a level of

complexity to the process that is unwarranted and unnecessary. IPO has long believed that the quality of patent examination should take priority. Quality examination must be balanced by a timely and cost-effective process. However, marketplace demands should not prevent or undermine the vigorous examination that must underlie the patent process.

The patent application and prosecution process is already a complex one. When faced with the application process, applicants would need to learn and understand the trade-off between lower cost or faster examination and the level of certainty in the various “products” provided. A suite of different products may make the system more difficult to access and more burdensome especially for those applicants with limited resources. Further, the perceived short term benefits may not benefit the patent system in the long run. A registration system or deferred examination may be more cost effective, but may subject a patent to more challenges later on in its lifecycle. Further, offering a suite of patent products may open additional opportunities for litigation abuse.

In particular, IPO has consistently opposed adopting a deferred examination system in the U.S., a policy that we believe would add to and institutionalize uncertainty over patent claims. Deferred examination diminishes the “public notice” function of claims, interferes with the commercialization of new products, and makes litigation more likely. Availability of deferred examination also discourages applicants from conducting pre-examination searches, which should be encouraged. The only reason to defer examination is to accommodate applicants who wish to delay, but that interest is outweighed by the interests of the public at large. The perceived benefits to the USPTO of such a system, we believe, are illusory. This proposal was discussed and rejected in the USPTO’s 2002 strategic plan.

Similarly, petty patent systems were considered and rejected by the 1992 Secretary of Commerce Advisory Committee Report. Under such a system, examination resources are wasted to provide for only very weak patent rights that will have little value in the marketplace and could negatively affect the availability of venture funding available to worthwhile inventions. Petty patent systems delude some applicants (in particular independent inventors) into believing that they can obtain very cheap patents that will have value when in fact they will not.

A “collaborative” or “platinum plated” examination, described in the Office’s paper labeled “PAT 26,” would discriminate against those with limited resources, draw the examining staff away from traditional examination, and create different classes of patents in the eyes of the courts.

Indeed, while only a matter of semantics, we suggest not describing patents as “products.” Such terminology may cause some readers to infer that the Office is viewing patent applicants as its customers and favoring their interests over those of consumers and other members of the public.

Objective 3: Improve and integrate existing electronic systems

IPO supports efforts to interface or integrate the Office docket with the practitioner's dockets, as this could reduce the cost of patenting and increase communications efficiency. In particular, developing a “Patent File Wrapper” that could provide a full text search capability in Public Pair could significantly benefit applicants, examiners and the general public. In addition, the USPTO should attempt to develop a system for prior art searches of files of foreign patent offices.

Objective 4: Appeals processing and enrollment and discipline functions

IPO encourages efforts to improve the patent appeals process as a way to improve the quality of issued patents. It is not clear, however, what advantages are obtained by changing registered practitioner requirements. The benefit or use of the added registration fee should be explained. While continuing legal education is desirable, the framework and fees for this education need to be expanded and clarified.

In particular, the Draft plan recommends introducing periodic testing at least once every three years as part of an enhanced Continuing Legal Education (CLE) program. This is a significant departure from state bar mandated CLE which only requires attendance. We question whether such recertification (as compared to “education”) is appropriate here. We also encourage the Office to adopt a provider approval process similar to that of the VA bar regulation 103-104 as well as 105 for provider accreditation. It appears to be a better use of the Office’s resources to approve quality outside providers rather than expending significant resources developing a new USPTO online program.

Goal 2: Optimize Trademark Quality and Timeliness

IPO generally supports the objectives set forth to maintain and improve Trademark operations. A significant change would be made by transferring most of the examination of statements of use to trademark specialists instead of the examining attorneys; however, some efficiency may be gained by the Office. Examining Attorneys would be consulted “when a substantive issue is raised.” Further information in the plan on what issues would be considered substance and what training specialists would receive would be helpful.

IPO supports 3-month pendency to first action for trademark applications. The plan also proposes that USPTO secure “long-term funding authority” including the ability to “set fees that better reflect cost of service.” IPO has long taken the position that Congress should continue to set user fees for the USPTO, in order to provide financial oversight that otherwise would not exist.

Goal 3: Improve Intellectual Property Protection and Enforcement Domestically and Abroad

IPO supports the USPTO’s existing efforts to address and raise the visibility of IP enforcement issues. We encourage and support the USPTO’s review and enhancement of mechanisms for sharing information and intelligence on IP crime between government agencies on an international, regional and bilateral basis. We recognize that over the past few years the USPTO has put a significant amount of resources and effort into working with foreign countries – and especially in China – to provide feedback on patent and trademark reform proposals. We encourage the Office to continue this work.

We also support efforts aimed at strengthening the awareness of consumers on the need to respect IP Rights. Seminars and workshops conducted around the country over the past year have raised the visibility of the USPTO in other parts of the country and helped to educate the public on counterfeiting and available enforcement systems.

MANAGEMENT GOAL

The Office’s management goal is directed toward hiring high-performance employees and managing resources effectively. We support these goals but believe more detail is needed in the proposed plan. Specifically, in relation to Objective 1, USPTO should recruit, train and retain

high quality professional management analysts having the degrees and work experience to manage the enterprise processes under the control of the CFO and CAO.

USPTO should also seek to select, train and retain high quality supervisors who not only can perform examination correctly, but have the skills to train, supervise and work with examiners to improve performance, job satisfaction and retention. The Office should also recognize and reward high quality service to the public.

To meet its goals, the Office should collaborate, where possible, with the other government-shared services to reduce costs and improve its electronic efficiency. The Office should also collaborate with public user groups to address the user needs and discuss improvements related to financial transactions with the USPTO.

IPO believes that improvements to the patent system are necessary and can be realized. We look forward to continuing to discuss ways to improve the quality of patent and trademark examination and prosecution and the effectiveness of the organization in meeting its varied goals supporting intellectual property systems. Thank you for the opportunity to provide comments on the draft plan.

Sincerely,

A handwritten signature in black ink, appearing to read 'Marc S. Adler', written in a cursive style.

Marc S. Adler
President